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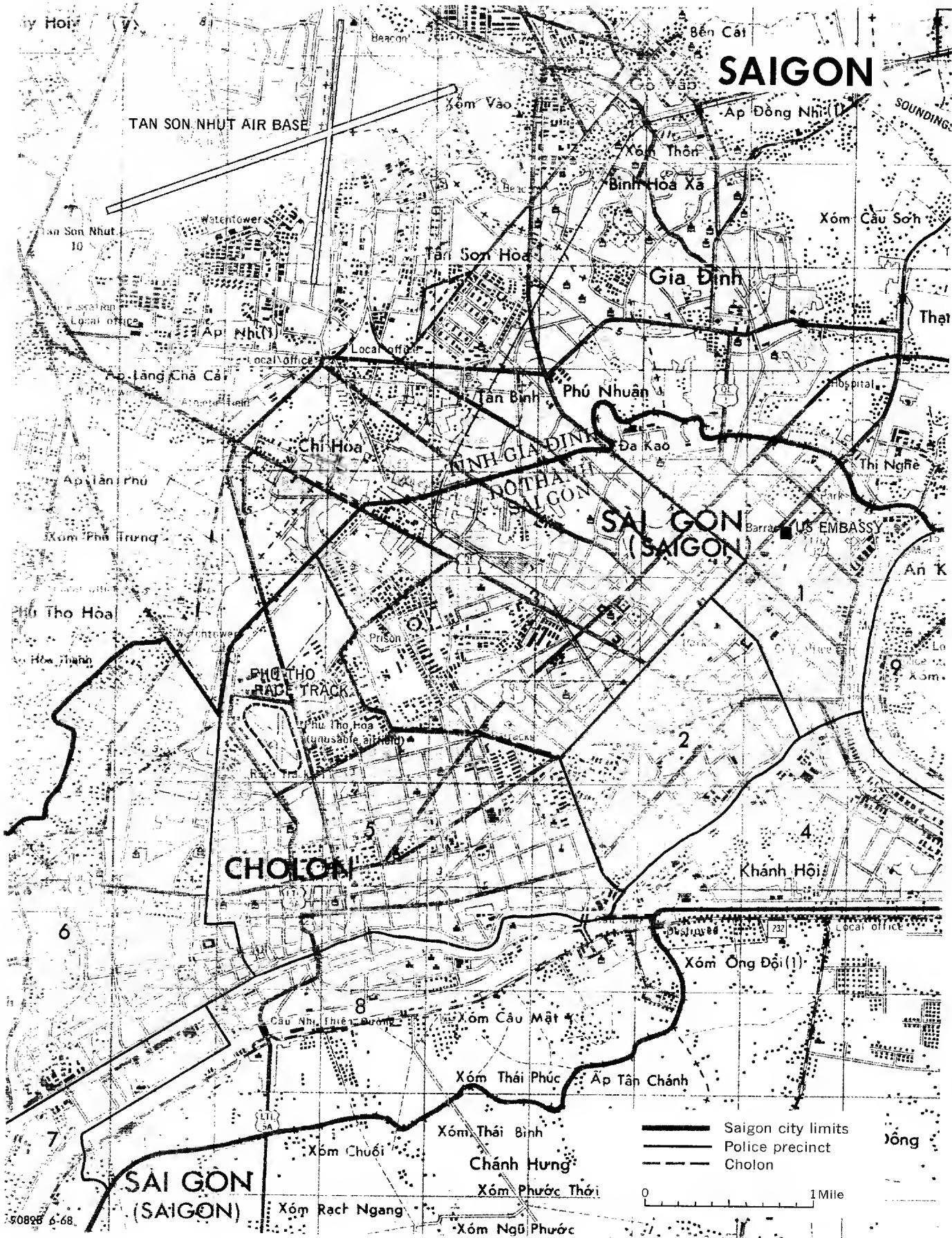
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[South Vietnam: Communist forces are maintaining the pressure on Saigon.

The greater metropolitan area was heavily shelled early this morning (Saigon time) for the 23rd day out of the last 38. Approximately 19 rocket and mortar rounds struck the third, fifth, and eight precincts, reportedly killing 19 Vietnamese civilians and wounding 106. On 9-10 June, a night attack killed seven Vietnamese civilians and wounded 23.

Since the start of the enemy's current offensive on 5 May, civilian casualties in the Saigon area, including those from street fighting as well as shellings, have reached 452 killed and 3,766 wounded. In addition, there are a reported 160,000 new refugees so far, compared with some 210,000 in the Saigon area during the Tet offensive.

The Communists probably plan to press this effort with a view to creating tension within the capital and disrupting its economy and life. They hope that sufficient hardship and fear among the people there will generate widespread and active popular discontent with the government.

* * * *

President Thieu's state visit to the US, which was scheduled to begin on 19 June, has been postponed. His decision may have been influenced by a number of factors, including a desire to remain close to the Saigon political scene following his recent replacement of several supporters of Vice President Ky, his chief rival.

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[France] Strains appear to be increasing between the Communists and non-Communist left.

The French Communist Party opened the electoral campaign yesterday by labeling the Federation of the Democratic and Socialist Left a "minority party" which could not "claim seriously or realistically the right to take over by itself from the Gaullist power." Only a "popular front" government, party spokesmen proclaimed, would be acceptable.

The Communist Party's challenge is likely to provoke new conflicts within the federation, France's largest non-Communist opposition force. The federation is composed of the Socialist and Radical parties and a number of political clubs. Leaders of the Socialist Party are discontented with the close ties which the chief of the federation, Francois Mitterrand, appears to be developing with the Communists and there is talk of a Socialist attempt to oust Mitterrand, following the elections. The Socialists are considering withdrawing on the second ballot in certain districts in favor of anti-Gaulist center candidates.

This would both violate and endanger the electoral agreement under which the federation and the Communists would both support the front-running candidate of the left on the second ballot.

Socialist attitudes are influenced by a fear that the Communists might capture the leadership of the French left by obtaining an impressive margin of votes on the first ballot. The Socialists do not expect the establishment of a viable popular front government following the elections. They point out that even if the left gets the 50 additional seats needed to reverse the present balance in the assembly, defections among Socialist and Radical deputies might prevent the development of an effective and continuing majority.

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*France-Canada: The Commission of the European Communities is concerned about an agreement by which Canada will supply fissionable materials to France exclusively for French use.

The transaction involves France's purchase of a small quantity of spent fuel from Canadian nuclear power stations. The French will arrange for processing in Europe.

The commission considers the agreement to be incompatible with the EURATOM Treaty's provision to allow fissionable materials to circulate within the community. Moreover, EURATOM is supposed to be the "exclusive supplier" of fissionable materials within the community. Also, the treaty gives the commission authority to approve or disapprove nuclear supply agreements of member countries with third parties.

The complicated bilateral Canadian-French arrangement permits inspection standards not compatible with the EURATOM safeguards system. The commission fears the establishment of a precedent harmful to EURATOM's authority to negotiate safeguards on behalf of its members under the nonproliferation treaty.

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*Because of the shortage of time for preparation of this item, the analytic interpretation presented here has been produced by the Central Intelligence Agency without the participation of the Defense Intelligence Agency, Department of Defense.

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USSR-Egypt: Soviet warships are receiving valuable services in Egyptian ports, but Moscow does not have formal base rights.

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Soviet warships of the Mediterranean squadron have indeed made extensive use of Egyptian naval facilities during the past 11 months. A Soviet repair ship stationed in Alexandria provides services to visiting ships. Soviet tankers bring oil to storage tanks at Port Said, and tankers serving the Mediterranean squadron put in there to replenish.

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Iran: Iranian security forces arrested approximately 40 pro-Chinese Tudeh (Communist) Party members in scattered areas of Iran during May.

The arrests probably reflect official alarm at the discovery in Tehran last February of a pro-Chinese Tudeh group whose members allegedly were hard-core Communists, well trained in subversive activities, and reportedly linked to Chinese Communists outside Iran.

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Although most members of the small Tudeh Party organization remain pro-Soviet, the Soviet-Iranian rapprochement has contributed to the growth of a pro-Chinese wing. This faction, apparently disgusted with what it sees as Soviet support for the Shah, advocates revolutionary activity to promote his overthrow. It is unclear to what extent the Chinese have stimulated the growth of this group; it quite possibly has developed spontaneously from the frustrations of impatient elements within the conservative Tudeh Party structure.

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Guatemala: Dissension within the Communist Rebel Armed Forces may lead to an early resumption of guerrilla warfare.

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[Shooting incidents, however, have already occurred.]

On the evening of 9 June, one of the chiefs of the National Police was assassinated in Guatemala City. Although the killers have not been identified, it is suspected that the insurgents were responsible.

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Peru: The new cabinet appears headed for trouble with congress and President Belaunde.

Leaders of the opposition American Popular Revolutionary Alliance (APRA) plan to demand certain actions of the government in return for parliamentary support. The "actions" include a solution to the International Petroleum Company controversy within 30 days, refinancing of the government's foreign debt, new budget cuts, more effective tax collection and customs controls, and expanded domestic credit facilities. The APRA is placing great emphasis on solving the oil company problem, preferably through agreement on an operating contract rather than outright expropriation. Failure to act might lead to an early censure of the cabinet.

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Venezuela: Guerrillas ambushed an army convoy in northwestern Venezuela on 8 June.

The guerrillas probably were members of Douglas Bravo's Armed Forces of National Liberation. Five soldiers were killed and seven others wounded. The guerrillas apparently suffered no casualties.

The encounter was the first major clash between government forces and guerrillas in Venezuela in over a month, and demonstrates that although the Venezuelan counterinsurgency forces have been able to keep the guerrillas on the run, the guerrillas' ability to initiate offensive action has not been destroyed. The insurgents, moreover, still have the capability to carry out hit-and-run terrorist attacks in urban areas.

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Belgium: The Socialists have reopened controversial linguistic issues, thus raising a new obstacle to agreement with the Social Christians on a government. A high Belgian official told a US Embassy officer that while all hope is not lost, he believes prospects for a government of the two parties have greatly diminished. It now appears that the Socialist Party congress, which will meet on 12 June, will have to decide the terms under which the party would participate in the government. Caretaker Prime Minister Vanden Boeynants is reported still in favor of a grand coalition including the Liberals, whose support is necessary to enact the constitutional reforms needed to ease the linguistic dispute. [redacted]

* * * *

Yugoslavia: Many of Belgrade's striking students have agreed to return to their classes. In a televised address on Sunday, President Tito promised to meet their "justified" demands. He acknowledged his and the party's responsibility for failing to bring about reforms earlier and implied he would resign if he were unable to solve the students' problems. Tito's resignation is unlikely, but antireform elements in the party are still strong and Tito may have trouble making good on his promises. [redacted]

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Czechoslovakia: A recent plenary session of the Trade Union Central Council decided that the unions would, for the first time, exercise their political power separately from the party. Acting in effect as a new political pressure group, trade unions intend to put up candidates in general elections and will participate in the new policy-making National Economic Council. Trade unions will help to establish elected workers' councils in enterprises, thereby gaining a role in management.

When reduced working hours are put into effect this fall, the trade unions plan to take steps to prevent a reduction in real income. Unions are also becoming more active in social matters, helping to formulate and promote legislation providing for increased allowances for children, expanded recreational facilities, and the continued growth of retirement benefits.

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